

A STUDY ON TURNOVER INTENTION TREND IN COMMERCIAL BANKS IN PENANG, MALAYSIA

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ABSTRACT

Turnover Intention becomes a major obstacle towards the organization as it might impact the productivity and long-term plan of the organization. Theoretically, the organization's performances and productivities of many organizations are impacted by the Turnover Intention, there is still insufficient of academic research that address the turnover intention specifically.

This research focuses on the independent variables that influence the turnover intention. The research was done among individuals who working in Penang and the data had been gathered through structured questionnaire.

The result indicates that there is a significant relationship between the independent variables, which consist of Alternative Employment Opportunities, Turnover Culture, Remuneration, Job Function, and Hobo-Syndrome, and the dependent variable that is Turnover Intention. Among them, Turnover Culture and Job Function are the most significant contributors.

ABSTRAK

Pertukaran Pekerjaan telah menjadi satu isu yang amat berat kepada organisasi seperti kesannya kepada produktiviti dan rancangan jangka panjang bagi pihak organisasi tersebut. Secara teorinya, Pertukaran Pekerjaan ini memberi kesan-kesan yang mendalam bagi keberkesanan dan produktiviti bagi pihak organisasi namun tidak banyak kajian akademik yang dilakukan dan yang menjurus kepada Pertukaran Pekerjaan ini secara khususnya.

Kajian ini memberi tumpuan kepada pembolehubah bebas yang memberi kesan kepada Pertukaran Pekerjaan ini. Kajian ini dilakukan ke atas pekerja-pekerja yang bekerja di Pulau Pinang, dan data-data dikumpulkan melalui soal selidik yang berstruktur.

Hasil kajian ini mengesahkan bahawa pembolehubah bebas yang merangkumi Peluang Alternatif Pekerjaan, Budaya Pertukaran Kerja, Upah, Fungsi Pekerjaan dan 'Hobo-Syndrome' dan pembolehubah penggantungan iaitu Pertukaran Pekerjaan. Di antara pembolehubah bebas tersebut, Budaya Pertukaran Kerja dan Fungsi Pekerjaan merupakan penyumbang yang paling penting.

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Table of Contents

DECLARATION	
ABSTRACT	i
ABSTRAK	ii
ACKNOWLEDGMENT	iii
TABLE OF CONTENT	iv
LIST OF TABLES	vi
LIST OF FIGURES	viii

CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION	1
1.2 BACKGROUND	1
1.2.1 OVERVIEW OF BANKING INDUSTRY IN MALAYSIA	5
1.3 PROBLEM STATEMENT	7
1.4 MOTIVATION STUDY	9
1.5 OBJECTIVE OF STUDY	10
1.6 RESEARCH QUESTION	10
1.7 SCOPE OF STUDY	10
1.8 SIGNIFICANCE OF STUDY	11
1.8.1 THE RESEARCHER	11
1.8.2 BANKING SECTOR	11
1.8.3 ACADEMICIANS	12
1.9 ORGANIZATION OF REMAINING CHAPTER	12

CHAPTER 2: LITERATURE REVIEW

2.0 LITERATURE REVIEW	14
2.1 CURRENT TURNOVER IN BANKING INDUSTRY IN MALAYSIA	14
2.2 THEORETICAL CONCEPT	15
2.3 ALTERNATIVE EMPLOYMENT OPPORTUNITIES	15
2.4 TURNOVER CULTURE IN WORKING PLACE	16
2.5 REMUNERATION	17
2.6 JOB FUNCTION	17
2.7 HOBO-SYNDROME	18
2.8 TURNOVER INTENTION	18

2.9 FACTORS MODERATES IN TURNOVER INTENTION	19
2.9.1 JOB LEVEL	19
2.9.2 PERSONALITY COMPOSITION	20
2.9.3 ETHNICITY AND RACIAL IDENTITY ATTITUDES	20
2.10 CONCEPTUAL FRAMEWORK	21
2.11 DEVELOPMENT OF HYPOTHESIS	22

CHAPTER 3: RESEARCH METHODOLOGY AND DESIGN

3.0 INTRODUCTION	25
3.1 RESEARCH DESIGN	25
3.2 SAMPLE	26
3.3 SOURCES OF DATA	26
3.4 MEASUREMENT INSTRUMENT: QUESTIONNAIRES	27
3.5 DATA COLLECTION METHOD	29
3.6 DATA ANALYSIS METHOD	29
3.7 CONCLUSION	30

CHAPTER 4: FINDINGS AND ANALYSIS

4.0 INTRODUCTION	31
4.1 DEMOGRAPHIC ANALYSIS OF THE RESPONDENTS	31
4.1.1 GENDER	31
4.1.2 AGE (YEARS)	32
4.1.3 MARITAL STATUS	32
4.1.4 RACE	33
4.1.5 MONTHLY SALARY	33
4.1.6 DEPARTMENT	34
4.2 RELIABILITY ANALYSIS	35
4.3 FACTOR ANALYSIS	36
4.3.1 FACTOR ANALYSIS FOR ALTERNATIVE EMPLOYMENT OPPORTUNITIES	36
4.3.2 FACTOR ANALYSIS FOR TURNOVER CULTURE	37
4.3.3 FACTOR ANALYSIS FOR REMUNERATION	37
4.3.4 FACTOR ANALYSIS FOR JOB FUNCTION	38
4.3.5 FACTOR ANALYSIS FOR HOBO-SYNDROME	39
4.3.6 FACTOR ANALYSIS FOR TURNOVER INTENTION	39
4.4 MULTIPLE REGRESSION ANALYSIS	40
4.4.1 REGRESSION ANALYSIS FOR INDEPENDENT VARIABLES OF TURNOVER INTENTION	41
4.5 SUMMARY OF FINDINGS	43
4.6 CONCLUSION	43

CHAPTER 5: DISCUSSION AND CONCLUSION	
5.0 INTRODUCTION	44
5.1 DISCUSSION	44
5.1.1 ALTERNATIVE EMPLOYMENT OPPORTUNITIES, TURNOVER CULTURE, REMUNERATIONS, JOB FUNCTION AND HOBO- SYNDROME VS TURNOVER INTENTION	44
5.2 EVOLUTION OF RESEARCH FRAMEWORK	45
5.3 CONTRIBUTION	47
5.4 LIMITATION	47
5.5 FUTURE RESEARCH	48
5.6 CONCLUSION	48
 REFERENCES	 49
APPENDICES	
Appendix 1 COVER LETTER TO COMPANIES	52
Appendix 2 RESEARCH QUESTIONS	54
Appendix 3 SPSS OUTPUT	63
3.1 Demographic Analysis	64
3.2 Reliability Analysis	67
3.3 Factor Analysis	74
3.4 Regression Analysis	88

LIST OF TABLES

1.1 NUMBER OF FINANCIAL INSTITUTIONS IN MALAYSIA	6
3.1 MEASUREMENT ITEMS	27
3.2 LAYOUT OF THE QUESTIONNAIRE	28
4.1 DEMOGRAPHIC ANALYSIS OF THE RESPONDENTS	31
4.1.1 Gender	31
4.1.2 Age	32
4.1.3 Marital Status	32
4.1.4 Race	33
4.1.5 Monthly Salary	33
4.1.6 Department	34
4.2 RELIABILITY ANALYSIS	35
4.3 FACTOR ANALYSIS	36
4.3.1 Factor Analysis for Alternative Employment Alternative	36
4.3.2 Factor Analysis for Turnover Culture	37
4.3.3 Factor Analysis for Remuneration	37
4.3.4 Factor Analysis for Job Function	38
4.3.5 Factor Analysis for Hobo – Syndrome	39
4.3.6 Factor Analysis for Turnover Intention	39
4.4 INDEPENDENT VARIABLES VS TURNOVER INTENTION	41
4.5 SUMMARY OF FINDINGS	43

LIST OF FIGURES

2.7 RESEARCH THEORITICAL FRAMEWORK	21
	&
	46
5.2 RESEARCH FINAL FRAMEWORK	46

CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter will provide the introduction of this research project, which consist of several sections. The first section will share the background and view of the research project. Purpose of study, research questions, research objectives and the significance of this research can be obtained on the following sections.

1.2 Background

Turnover trend has greatly increased in current working environment. Turnover is defined by shifting jobs regularly or frequent movement of profession from one place to another place without any specific motive. According to Khatri et al. (1999), there are two different view of turnover. The first view is based on study which performed in Singapore where the employees are changing their jobs for fun. The second view of turnover is about the impact or influence by other colleague, social demand and pressure.

The research done by Kawabe (1991) found that turnover among professional employees in Malaysia is due to the monetary reasons. The changes in economy and social life in Malaysia had influenced employees to look for better pay and high income. In Malaysia, turnover rate has started to increase in early 1991 (Inagami, 1998) due to high demand and huge opportunities that exist in the market. With the increase trend of turnover and its

impact, it has be monitored seriously by the senior management, human resources and industrial psychologists in Malaysia. It has been verified to be one of the major impacts to the organization's long-term plan, objective and monetary as well.

According to Hewitt Associates (2009/2010), the turnover rate in Malaysia has increased from 9.3% in year 2009 to 10.1% in year 2010. The highest turnover rate found to be recorded by the financial services (18.3%) and high-tech/IT industry (20%). However, the chemicals industry with 6.3% of turnover rate is the lowest rate among the industries. According to the research, it is a difficult task to retain employees due to the demand and opportunity factor, which encourage employees to leave an organization. The top three reasons for the employees to leave an organization are due to better external opportunity (67.3%), limited growth opportunities (46%) and further studies (38%).

The highest turnover rate in financial services particularly in commercial banks has greatly impacted the productivity, quality and profitability due to the loss of knowledge and technical skills. Nevertheless, due to insufficient skill and knowledge of new replacement employee, it is also impacted the view of customer relationship and satisfaction for not being able to meet or exceed the customer's expectation. The highest turnover rate of any organization will impact the organization's operation cost in investing trainings that required for new employee and eventually will impact the end profit of the organization.

Due to high demand and competition in the banking industry, it has encouraged a turnover trend and decrease loyalty of the employees towards the organization. These attitudes have strongly affected the productivity, profitability and quality of services of the organization. Due to that, it becomes the major issue for organizations to hire the right and efficient employee. The employees have different expectation towards the organization and will leave their current job for another if they felt their expectations are not meeting (Wong,2010). In fact, many employees consider this as a career advancement opportunity.

According to the study (Mathieu and Zajac, 1990), organizational and employee relationship is the essential to achieve the organization's goals. On top of that, the dedicated employee will view the organization's goal and objective as important as their own goal and objective, and committed to achieve them. Wong (2010) also mentioned that the organization should used affective, normative, and continuous engagement with the employees to ensure they are committed towards the organization.

On other hand, it is costly for the organization to lose a great talent who left for other organization as it involves the cost of hiring and training a new replacement, and the loss of productivity with a new employee. The turnover trend has changed the organization's focus by being more concern on retaining the best employees in their organization.

In retaining the best employees, the policy system of respective organization contribute a significant and important role. The policy system must able to meet or exceed their employee's needs and satisfaction, and achieve the organization's goal and objective

parallel. The policy must include the important values such as employee's contribution of the success in existing period and future, career advancement opportunity and balance work-life. Due to that, the organization need to ensure the employees are being well treat consistently, fair and in effective manner. In achieving and fulfilling both sides goal and objective, the organizational shall provide a continuous and ongoing career enrichment program for the employee to balance the work-life, minimize work pressure and encourage employees to involve in high profile career in future.

Based on the research done by Hay Group (2001), it indicated that the employee who began their career after the 1990 recession year would not target a lifetime employment with a single organization. The employee is more concern on personal satisfaction and willing to be unemployment rather than work with a low reputation organization.

1.2.1 Overview of Banking Industry in Malaysia

Banking industry is one of the fastest growing industries in Malaysia. Beside the local banks, quite a number of foreign banks are also providing the same level of services in Malaysia. Due to high competition in this small market, banks are always looking to innovate their offered products and services, and continuously attract the best employees to be with their organization in order to win more customers in this high competitive market. This has encouraged the bank's employee to continuously look for a better career with great benefits such as high salary and higher position in other organization.

It is important for the bank to obtain a great employee because the employee is the frontline people who directly interact with customers and provide the first impression of the respective bank to them. Due to this, certain organizations or banks in Malaysia are willing to allocate a huge budget to recruit the best employees from other organization to join them. In Malaysia's financial services industry, the banking system that includes Commercial bank, Investment bank and Islamic bank are the main source for supporting the economy and business activities in Malaysia. Therefore, it is important for the banks to obtain the right and best employee to be with their organization in order to expand their business and to win the market-share. Table 1.1 provides an overview of the number of financial services industry as at end-November 2010 (MIDA, 2010) in Malaysia.

The purpose of this research project is to understand further on the factors that influence and impact the turnover trend, to determine the significant issue that lead the turnover activity and to help the organization to strategize the best retention program and policy.

The findings will help the respective organization to formulate the best retention program in order to retain the best employees to deliver their innovated products and services to the customers for sustaining and remaining competitive in the market. (Business Times, 7th October 2005).

Table 1.1 Number of financial institutions in Malaysia 2010

Financial Institution	Total	Malaysian - Controlled Institutions	Foreign - Controlled Institutions
Commercial Banks	22	9	13
Islamic Banks	17	11	6
International Islamic Banks	2	-	2
Investment Banks	15	15	-
Insurers	40	25	15
Islamic Insurers (Takaful Operators)	8	8	-
International Takaful Operators	1	-	1
Reinsurers	7	3	4
Islamic Reinsurers (Retakaful Operators)	4	1	3
Development financial institutions	13	13	-

The primary data and secondary data will be used in this research project. The primary data will be gathered thru a set of questionnaire to collect the required data for

completing the research on the scheduled time frame. For the secondary data, all the related information will be collected from the annual reports and also from the previous paper. These sources will provide the researcher with the insight information that needs to complete this research project.

1.3 Problem Statement

Employees are the main pillars and the most important factor in driving the success of the organization. They are the people who have the function and ability to organize and manage the outcome of one certain assignment. In the banking industry, employees are expected to demonstrate a very high performance in order to achieve the organization's mission, goal and objective each year which highly depend on the sales volume of their products and services. Compared to other industry, banking industry is well known with high workload and stringent time frame for their employees to adhere with, which can be recognized as major contributions to the increase of turnover rate.

Employee turnover occurs when employees of organization voluntarily leave their job and the vacant must be replaced. For further identification, turnover is expressed as an annual percentage of the total employees. For example, 25 percent employee turnover would mean that one-quarter of employee at the beginning of the year has left the organization by the end of the year (Wong,2010). Turnover should not to be confused with layoffs, which involve the termination of employees at the employer's discretion in response to business conditions such as reduced sales or a merger with another

organization. The severity of turnover varies widely by type of business and the economic health of the region where organizations are located.

Turnover among the bank's employees are often involved the knowledge or intellectual asset being removed from the organization directly. To gain such intellectual asset on the newly hired or new replacement employee, the organization has to allocate a huge budget, which involved monetary, time and productivity. Therefore, it will highly impact the organization's operation cost and eventually will impact the end profit. Due to this, organizations such as commercial banks had designed quite number of retention programs to increase loyalty of employee towards the organization and reduce the turnover rate. Examples of the programs are Employee Retention Program that focus on competitive salary and benefit, Be Engaged Program where it encourage the involvement of employee in organization's activities and Exit Interview Program for obtaining value information from the departing employees, which can be used to enhance existing retention programs.

Employee turnover is a well-known and common problem among the commercial banks, and it involves all level of employees, which is from lower level to the top management employees. It is encourage by the job availability in the banking industry and many organizations are willing to offer great package to the employees. Employee turnover will impact certain cost to the organizations in term of:

1. Employee recruitment costs
2. New employee selection costs

3. Cost of covering during the period in which there is a vacancy
4. Administration of the recruitment and selection process
5. Induction training for the new employee.

Even though the organizations are always enhancing their salary package and other benefits to the employees, the turnover rate is still increasing time to time. The employees are always looking for a better offer and great opportunity in their career, and therefore it is difficult to reduce the turnover rate among the employees.

1.4 Motivation of Study

This study will be conducted on Malaysian-controlled commercial banks in Penang, Malaysia. This is due to the banking industry is often related with high job turnover and this will be given a negative reputation to some organization in a long term (Nele, 2011).

This trend has inspired the researcher to study and to understand more on:

- a) Employee's point of view towards the turnover intention when making decision to switch organization
- b) Reason on high turnover trend among banks' employees

1.5 Objective of the study

1. To understand the employee's perception on the turnover intention
2. To identify the most significant factor that influencing turnover intention in commercial banking industry

1.6 Research question

1. What are the reasons that lead to the turnover intention among the commercial bank's employees?
2. What will be the most significant factor that influencing turnover intention among the commercial bank's employees?

1.7 Scope of the study

This research focuses on the variables that lead to turnover intention in commercial banks, which located in Penang, Malaysia. According to Sekaran (2006), data that collected from sample groups might inefficiently validate compared to the other method that evaluate individuals' opinions in open environment. Therefore, the respondents are to be selected from the commercial banking industry employee who working in various organizations in Penang and the researcher will hand out questionnaires to 200 respondents approximately. This technique will help the researcher to obtain more accurate data and insight information.

1.8 Significance of study

This research project is significant in term of finding the main factor that lead to turnover intention among the commercial bank's employee. Thru the finding, it will help the commercial banks to drive and revitalize their current retention programs and help to save their operations cost eventually.

1.8.1 The Researcher

This study will help the researcher to understand the reason behind the high turnover trend that occurred in banking industry especially in commercial banks. Thru the designated questionnaire, it will also provide the insight information of the employee's perspective on turnover intention as well. These valuable information will then, help and support the banking industry to revitalize their retention program accordingly.

1.8.2 Banking Sector

The result of this research project will help the banking industry to revitalize their existing retention program to be more meaningful to the employees. The result will indicate which factor that more significant towards the turnover intention, that eventually be used by the organization to zoom into. The result also help to indicate the employee's point of view on the existing job and organization, which able to trigger the next solution in order to prevent any turnover intention. This will help to improve the relationship between the employee and the organization, and eventually will create loyalty in a long run.

1.8.3 Academicians

This research project will provide the insight on the turnover intention by commercial bank's employees. The result of this research project will help to provide valuable insight information of turnover intention, that hope to be able to support the banking industry in streamline their retention program for sustaining their employees and business in the market. The research project is expected to be as a reference for future researcher in employee turnover's project management.

1.9 Organization of remaining chapter

Chapter 1

This chapter will consist the background, objective, question and significance of the research project.

Chapter 2

Chapter 2 contains the theories and the literature from past researches to support the framework of this study.

Chapter 3

This chapter explains the research methodology and research design, which is the most important subject in the research project.

Chapter 4

This chapter will discuss the statistical analysis result of the research. It starts with the profile of the respondents followed by spss tests for independent variables and dependent variables.

Chapter 5

This chapter will summarize the research project based on the findings and results on the data analysis via spss methodology. It is also contains the implication and limitation in completing this research project on turnover intention in commercial banks in Penang.

CHAPTER 2

LITERATURE REVIEW

2.0 Literature Review

This chapter will share the literature review regards to this research project in detail. It starts with the background of current turnover in banking industry, and then follows by the theoretical concept of this research project. At the end of the chapter, the researcher will summarize the literature review via the research framework and hypothesis.

2.1 Current Turnover in Banking Industry in Malaysia

Banking industry in Malaysia was started early 1900s and continues to revamp with the government involvement in promoting the products and services that offered by banking industry (Rosli, 2006). Since its introduction in early 1900s, the banking industry plays a major role in developing the country by offering and leveraging their products and services to meet the market's demand. Due to the continuous leveraging activity in delivering their products and services to the market, the bank's employees are being expected to carry a greater workload in their working environment. In meeting the deadline and requirement by the organization, the employees have to scarify their energy and time, and lead to unbalance work-life situation. By continuing working in this kind of environment, it lead to unsatisfied employees and encourage those employees to look for other job that might meet their needs and satisfaction. The article in Star (2009) has mentioned that 18% is the average employee turnover rate in Malaysia and mainly, was contributed by the banking industry.

2.2 Theoretical concept

The concept of this research project is mainly based on the employee's satisfaction theory in human research perspective. To align with the research project, it will be adjusted according to the banking industry in Malaysia. From the previous researches, a positive relationship is expected to exist between independent variable (Alternative employment opportunities, Turnover culture, Remuneration, Job function and Hobo-syndrome), with the dependent variable (Turnover intention).

2.3 Alternative employment opportunities

Alternative employment opportunities are mainly contributed by the external's environment where the availability of alternative employment in the open market. Since it appears openly in the market, the access to the availability and other benefits are easily to be obtained by the candidates or future employee. Therefore, it intentionally encourages the employees of organization to switch their career with other organization (Price 2001). Further, there is a positive relationship between alternative employment opportunities and employee turnover intention based on the previous literatures (Khatri et al., 2001; Hulin et al, 1985).

Commonly, earning or salary is the major concern for employee to consider in any of employment decision. They will focus on the best-offered salary to select the organization for them to work. Therefore, it is a main strategy that practiced by organization to attract skill and talented employee to join their organization. However, in other case, employees are also looking for organization that can offer work-life balance in

the working environment for them to make any decision of employment (Frank Van, 1995).

2.4 Turnover culture in working place

According to Marcia (2011), turnover include both voluntary and involuntary employee who departed and it is included those who resigns, layoffs, terminates and retires. Abelson (1993) had defined that the turnover culture is where an employee of organization decided to change their current career to other's available position in other organization just because be influenced by their colleagues. It also understood that the turnover culture is positively related to turnover intention (Khatri et al., 2001).

The social exchange theory has been studied broadly and it defined the common relationship between employer and employee. Based on the theory, it can be mentioned that the employee willing to give in certain unimportant values such feelings and time, to support the culture in the workplace (Eisenberger et al., 2001). On the other hand, the employer also provides certain number of investment in developing their employee, motivate them and eventually will reduce the turnover culture in the organization (Cf. Lee and Bruvold, 2003).

The previous study by Muse and Stamper (2007) had found that the employer that provides skill-enhancing program to their employee would establish strong employer-employee's chain, and create an excellent culture in organization. Therefore, the turnover intention might be able to avoid due to the above-mentioned reasons. Finding by Galunic

and Anderson, (2000) that the employees view such investment in developing their skills are represent the organization values and ability to create loyalty towards the organization.

2.5 Remuneration

Lum et al, (1998) stated that remuneration is negatively linked to turnover intention in an organization and Griffeth et al (2000) found that job satisfaction are significant relative to the turnover intention in most industry. Study by Boxall et al, (2003) indicate that employees are switching their job basically drives by better salary or remuneration at other organization. Based on these studies by the above-mentioned researchers, it can be defined that the remuneration is significant relative to job satisfaction but negatively impact to turnover intention. However, study by Tang et al. (2000) had found that there is a strong impact between remuneration and turnover intention as compared to job satisfaction. The finding indicate that the turnover intention is high for those who are value the remuneration package such as big amount of salary, rather than job satisfaction.

2.6 Job function

A study by Elangovan (2001) had indicated that job function which lead to over workload, is strongly significant relevant to job satisfaction. The finding also stated that the lowest the job satisfaction is, the higher the turnover intention will be. Further, Kirschenbaum & Mano-Negrin (2002) found that turnover intention is influence by the size of organization as the size will determine the number of employee, workload and career advancement.

However, job function is found to be a main contributor to turnover intention based on study done by Firth et al (2003). Job function with high workload that caused stress and demoralize, has lead to turnover intention by the employees. Therefore, it has been proposed that the organization to revitalize the job function in reducing the high workload and stress level of the employees, which eventually reduce or prevent the turnover intention among the employees.

2.7 Hobo-syndrome

The turnover intention is refer to employee who has intention to switch job to other with respective reason such as workload, satisfaction, new benefit or for fun. According to Ghiselli (1974), hobo-syndrome is defined as an individual attitude to switch job to other without being influenced by external forces or organization itself. Finding by Hulin et al (1985) had described that hobo-syndrome is related to employee who are concerning on the stable career and lifestyle, where they found that the existing job is not longer relevant or the location of workplace is not longer attract toward their lifestyle. Other research which done by Kanchier and Unruh (1989) found that employees are more concerning their own personal success rather than organizational itself.

2.8 Turnover Intention

Turnover intention is a well-known subject to the organization in any business culture and industry. According to Khatri et al. (1999), turnover intention is occur when an employee willing to switch their existing job to other, based on their individual desire. No matter how big or small of the organization, turnover intention among the employees are

exist and always be a main concern for organization to reduce or eliminate it. However, in certain organization with focusing on part-time employee, hotel and fast food industry, the turnover intention is not a concern or issue to them (Cascio, 2006, Johnston, 1992, O'Malley, 2000).

Nowadays, the turnover and turnover intention are two serious problems in Asia (N. Khatr, 2010). The turnover and turnover intention are believes to happen without specific reason or goal (Percy, 2006). However, the turnover and turnover intention hardly affect those jobs that required high individual skills such as finance, information technology, electronic and electrical engineering, as written by the Harvard Business Essentials (2002).

2.9 Factors Moderates in Turnover Intention

2.9.1 Job level

The main factor of turnover intention is particularly related to job level in organization. Job level is directly links to the individual skills, knowledge and expertise. The employee with different job level will adhere with different set of tasks and expectation by the organization. According to Beltran et al (2008), the employees with high skills are more optimists and well verse, where they are more focusing in achieving the objectives and goals. This group of employees is willing to ignore any unhealthy feelings such as argument and anger, but focus towards the objectives and goals. Based on the study by Frank et al (2004), the job level is positively significant to turnover intention as the job satisfaction will prevent or reduce the turnover intention by the employees.

2.9.2 Personality composition

Individual work performance basically associated with individual personality such as trust, focus and willingness. These great individual personality help the employees to interact with each other in more effective manner. Employees with great individual personality always try to achieve the objective and goal for both, the organization and individual. Due to this, the great individual personality will bring down the thinking of turnover intention by the employees. Therefore, this is aligned with the finding by Callister (2006) where the great personality will minimize or reduce the turnover intention by employees.

2.9.3 Ethnicity and racial identify attitudes

Study by Sabharwal and Corley (2009) indicated that Asian people have certain degree of difficulty in achieving job satisfaction compared to other regions. Turnover intention is a norm on the Asian people as they are always looking for other job that can offer better benefits and satisfaction. However, the study done by Cornell University (CUPACFWL, 2006) stated that the job satisfaction and turnover intention is not relevant to the racial or ethnic. Therefore, it is important to further study the relation between race or ethnic or religion and turnover intention.

2.7 RESEARCH THEORITICAL FRAMEWORK

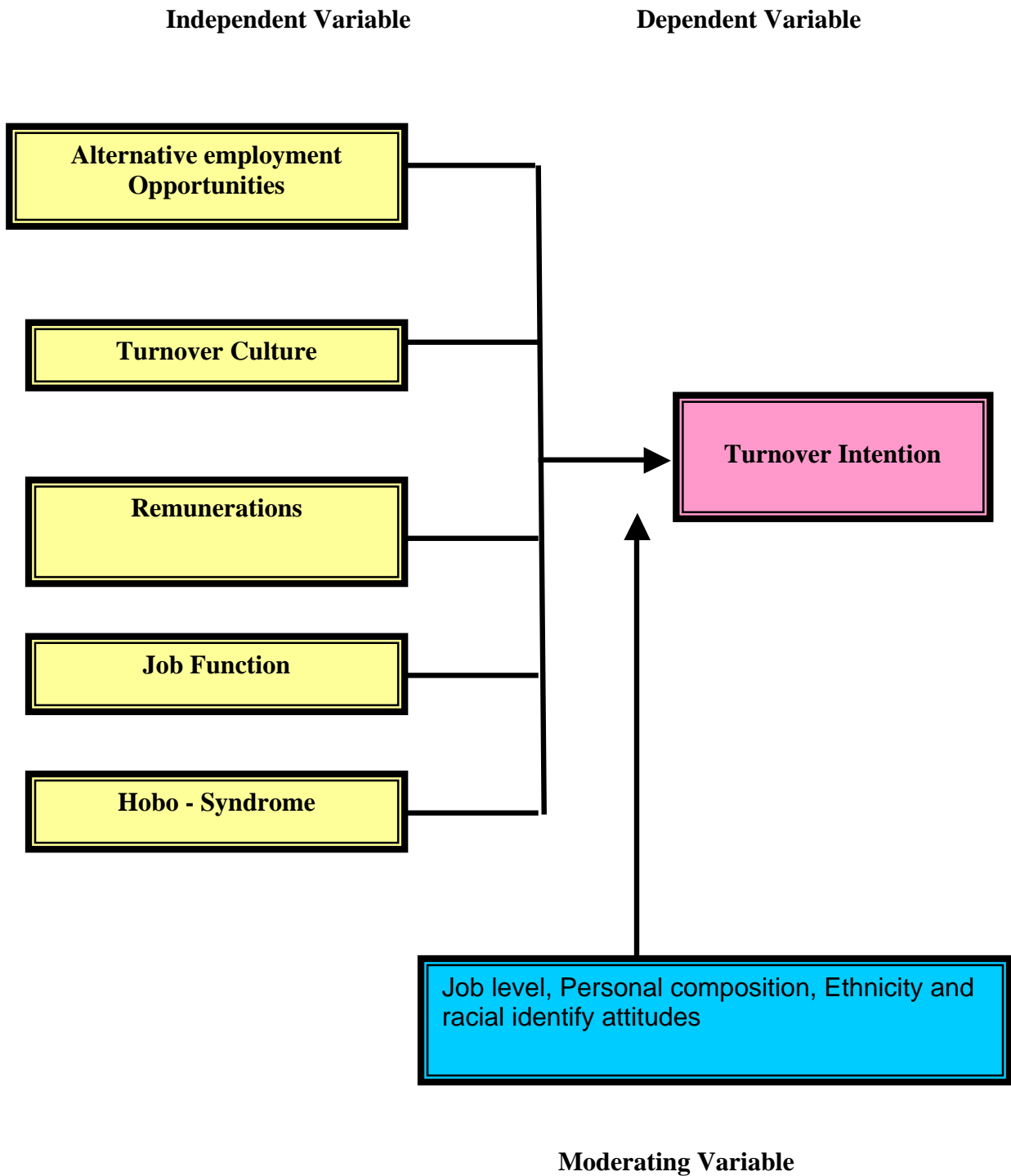


Figure 1

2.8 Development of Hypothesis

It is important to build up the relationship among the identified and respective variables by developing the hypothesis and examine them. According to Sekaran (2003), hypothesis will indicate the relation between two or more variables, and will be supported thru tested analyst. The respective variables will then be transformed into theoretical framework, and it is expected to obtain result from the hypothesis itself. The research project will be based on following hypothesis.

Hypothesis 1

Study by Belinda (2011) has verified that there is a significant relation between the alternative employment opportunities with turnover intention. Therefore, the researcher develops the following hypothesis.

H1: The Alternative employment opportunities have significant influence on turnover intention of employee in the commercial bank in Penang.

Hypothesis 2

Abelson (1993) found that the turnover culture is significant and has relatively impact on turnover intention. Based on the finding, the researcher develops the hypothesis as mentioned below.

H2: Turnover culture has significant influence on the turnover intention of employee in the commercial bank in Penang.

Hypothesis 3

Finding by Lum et al, (1998) stated that remuneration is negatively linked to turnover intention in the organization. Based on the empirical evidence, the researcher develops the hypothesis as below.

H3: Remuneration has less significant that influence the turnover intention of employees in the commercial bank in Penang.

Hypothesis 4

Firth et al (2003) found that job function is highly impacted and affected the turnover intention of employees. Work overloads and work pressures thru the job function are leading the stress in working environment, and eventually expose to turnover intention among the employees. Based on this finding, the researcher develops the following hypothesis.

H4: Job function has significant influence towards the turnover intention of employees in the commercial bank in Penang.

Hypothesis 5

The recent study by Nele (2011) indicated that there is a positive relation between Hobo-Syndrome and Turnover intention. Therefore, the researcher develops the following hypothesis.

H5: Hobo-Syndrome has significant influence on turnover intention in the commercial bank in Penang.

Hypothesis 6

Study done by Callister (2006) and Beltran et al (2008) on job level, personal composition, ethnicity and race, found that there is a positive relation between them with turnover intention in the commercial bank in Penang.

H6: Job level, personal composition, ethnicity and racial identify attitudes have significant influence to the turnover intention by the employees in the commercial bank in Penang.

The theoretical framework is basically based on the Employee Satisfaction Theory and the relation among the variables where the alternative employment opportunities, turnover culture, remuneration, job function and hobo-syndrome are defined as independent variables and turnover intention as a dependent variable.